

October 2, 2020

Directive 2020-19

TO: **ALL LENDERS**

SUBJECT: **DOWN PAYMENT ASSISTANCE LIEN RESOURCE UPDATE**
(Supersedes Directives 2020-15 and 2020-09)

The Maryland Department of Housing and Community Development (the Department) is providing this resource of procedure and contact information for utilization, subordination, or payoff of Maryland Mortgage Program (MMP) Down Payment Assistance (DPA) loans of various types.

UTILIZATION:

As always, MMP DPA can only be obtained with an MMP first mortgage originated by an MMP approved lender. There is no independent DPA option.

SUBORDINATION:

After amendment of the auto-subordination law in 2020 (MD House Bill 314), an existing MMP DPA loan may only be subordinated in certain circumstances. These are:

- If using an MMP [97% LTV FNMA Conventional Refinance Loan](#) (which will allow subordination of any MMP DPA lien including both MD SmartBuy liens); **OR**
- For subordination of the MD SmartBuy second lien only (forgivable loan used for payoff of student debt) to a new first (non-MMP) mortgage. The third DPA loan (if applicable) must be repaid upon payoff or refinance of the first mortgage.

For either of the above circumstances, lender must follow this process:

1) The lender must request MMP approval via email to singlefamilyhousing.dhcd@maryland.gov. If the loan meets the criteria, DHCD will send a Subordination Agreement for completion by the lender and subsequent signature by DHCD. Additional instructions will be in the response email. Please and remit the application fee of \$150 to Maryland DHCD, Central Cashier, P.O. Box 2521, Landover Hills, MD 20784 and allow 3 business days for the preparation of the Subordination Agreement by DHCD.

2) **After obtaining approval and the DHCD-signed Subordination Agreement**, lender will email PRPayoffQuoteRequestMAL@usbank.com AND rodney.martin2@usbank.com with:

- Subordination Agreement. (This document is essential to obtain the correct payoff quote that excludes the second and/or third liens, depending on the situation.)

- Borrower Authorization for payoff (lender proprietary document)
- Details of where to direct payoff quote

3) Lender includes Subordination Agreement in the purchase package to US Bank after closing.

PAYOFF:

- All other MMP DPA loans must be paid off when the first mortgage ends by refinance or payoff, or when the property is transferred from the original MMP borrower. Payoff information for the MMP DPA is requested from the servicer of the first mortgage. In most cases this will be US Bank. Payoff quotes can be requested by calling US Bank Customer Service at 800-365-7772 or faxing request with proper authorization to 800.200.8772 (if there is no borrower's authorization on USB's file).

The DPA payoff comes as part of the payoff for the first. It's usually listed as "Recoverable Corporate Advance."

UNPAID LIENS:

The Department will adhere to the following guidelines for allowing down payment, closing costs, SmartBuy and MMP related assistance programs to be utilized by borrowers who did not repay a previous loan from the Department. This applies to, but is not limited to, previous down payment assistance (DPA) loans from the Maryland Mortgage Program (MMP).

- **Short-sale, foreclosure and Deed in Lieu:** If a debt has not been paid back to the Department or the debt is not under a repayment plan in good standing, the borrower will not be eligible to obtain new or additional assistance (loans or grants) until the funds are repaid.
- **Bankruptcy:** If any outstanding debt to the Department was discharged through bankruptcy, the requirements of the investor and mortgage insurer on the new first lien being underwritten shall apply.
- **Collections:** If the debt has been referred to the Maryland Central Collections Unit (CCU), or is in process of being referred, or a judgment has been for the debt has been granted, the borrower will not be eligible to obtain new or additional assistance (loans or grants) until the funds are repaid.

EXCEPTIONS:

Exceptions to any of the above may be considered on a case-by-case basis by the Department's Loan Review Committee (LRC) when unforeseen hardships are determined to exist or have existed. Unforeseen hardships include, but are not limited to, medical conditions, loss of employment or other financial hardships as determined by the Department. If an exception is requested, the request can be emailed to singlefamilyhousing.dhcd@maryland.gov.



LARRY HOGAN
Governor
BOYD K. RUTHERFORD
Lt. Governor
KENNETH C. HOLT
Secretary

As always, we appreciate your continued participation in our programs. If you have any questions concerning this Directive or suggestions for improvements, please email singlefamilyhousing.dhcd@maryland.gov.

Sincerely,

Karl Metzgar

Assistant Director / Operations Manager
Single Family Housing



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